

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF COLUMBIA GAS OF)	
KENTUCKY, INC., FOR A COMMISSION)	
ORDER AUTHORIZING THE TERMINATION OF)	
GAS SERVICE TO AUXIER ROAD GAS COMPANY)	CASE NO. 9017
OR IN THE ALTERNATIVE AN ORDER)	
REQUIRING AUXIER ROAD GAS COMPANY TO)	
PREPAY ITS MONTHLY GAS BILLS)	

O R D E R

On March 27, 1984, Columbia Gas of Kentucky, Inc., ("Columbia") filed an application with the Commission requesting an order authorizing termination of gas service to Auxier Road Gas Company ("Auxier"). Columbia requested the authorization due to Auxier's nonpayment for natural gas delivered by Columbia. In the alternative, Columbia's application requested a Commission order requiring prepayment of estimated monthly bills and payment of the delinquency by an installment payment plan.

A hearing in this case was held June 6, 1984. During the hearing, two separate issues were addressed. The first of these was the delinquency which was not contested or denied by Auxier. In fact, Auxier testified to the approximate amount of the delinquent bill (Transcript of Evidence, pages 23 and 45) and also testified that the money collected from Auxier customers, which should have been paid to Columbia, had been placed in an

"escrow account" (Transcript of Evidence, page 29, lines 1-5). The second issue was one of supply from Kentucky West Virginia Gas Company ("Kentucky West") rather than from Columbia. From the testimony presented, Auxier clearly wants the Commission to approve the discontinuance of service as a means of prompting the approval by the Federal Energy Regulatory Commission ("FERC") of a supply to Auxier from Kentucky West. Supply by an interstate pipeline is clearly a matter within interstate commerce and thus is subject to the jurisdiction of the FERC.

The question of supply is relevant to the application by Columbia for discontinuance of service but is no longer an issue for consideration. On July 6, 1984, the FERC issued an order in Docket No. CP83-469-000 which approved an uncontested offer of settlement. In this docket, Kentucky West had filed an application for a certificate authorizing it to sell natural gas to Auxier. Columbia protested the filing and the settlement was reached after two informal conferences. The settlement, as approved by the FERC, certifies the Kentucky West/Auxier tap as an emergency supply point and specifies that all gas delivered through the tap will be sold to Auxier at Columbia's prevailing rate (i.e., the gas will be sold by Kentucky West to Columbia Gas Transmission which will sell to Columbia which in turn will sell the gas to Auxier). The wording of the FERC order (attached as Appendix A) indicates that Auxier will be unable to purchase natural gas from Kentucky West under present circumstances.

Having reviewed the testimony in this case and all other pertinent documents and information, the Commission is of the

opinion and finds that it cannot grant Columbia's request for authorization to discontinue service to Auxier. To do so would leave Auxier without a gas supply and the customers of Auxier without gas service. To avoid such harm to the customers of Auxier, the Commission must exercise its authority under KRS 278.030 and .040 to insure that Auxier maintains "adequate service" to its customers. Accordingly, the Commission is of the opinion and finds that Auxier should pay Columbia the delinquent balance in full. Such payment should include all authorized delinquent charges and interest. Finally, the Commission is of the opinion and finds that a requirement for prepayment of estimated monthly bills is unnecessary since Auxier has paid current bills for several months following Columbia's application.

IT IS THEREFORE ORDERED that Columbia's request for authorization to terminate service be and it hereby is denied.

IT IS FURTHER ORDERED that Auxier pay its full indebtedness to Columbia, including approved delinquent and interest charges, within 30 days of the effective date of this Order. Columbia shall, within 7 days of the effective date of this Order, render a true accounting of the arrearages with interest and delinquent charges upon Auxier, and Columbia shall provide the Commission with a copy of that billing.

IT IS FURTHER ORDERED that Columbia's alternative request for prepayment of estimated monthly bills be and hereby is denied.

Done at Frankfort, Kentucky, this 31st day of August, 1984.

PUBLIC SERVICE COMMISSION

Richard D. Herrington
Chairman

Ruth D. Dyer
Vice Chairman

Lin Shultz
Commissioner

ATTEST:

Secretary

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UNITED STATES OF AMERICA
FEDERAL ENERGY REGULATORY COMMISSION

Before Commissioners: Raymond J. O'Connor, Chairman;
Georgiana Sheldon, A. G. Sousa
and Oliver G. Richard III.

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Kentucky West Virginia Gas
Company

Docket No. CP83-469-000

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FINDINGS AND ORDER AFTER STATUTORY
HEARINGS APPROVING OFFER OF SETTLEMENT

JUL 13 1984

(Issued July 6, 1984)

DIVISION OF UTILITY
ENGINEERING & SERVICES

On August 16, 1983, Kentucky West Virginia Gas Company (Kentucky West) 1/ filed an application pursuant to Section 7(c) of the Natural Gas Act for a certificate of public convenience and necessity authorizing it to sell up to 60,000 Dth of natural gas per year to Auxier Road Gas Company (Auxier Road) for resale, and to construct and operate a new sales tap. Auxier Road is a retail distributor served directly by Columbia Gas of Kentucky, Inc. (Columbia of Kentucky), an intrastate pipeline, and indirectly by Columbia Gas Transmission Corporation (Columbia Transmission), a jurisdictional interstate pipeline. The proposed service by Kentucky West was to be priced somewhat lower than the current service provided by Columbia of Kentucky.

According to Kentucky West, the purpose of the proposal was to offset partially the decline in its gas sales which have recently occurred due to cutbacks in gas purchased by Equitable Gas Company and Columbia Transmission, two of Kentucky West's largest customers. Kentucky West also stated that Auxier Road was seeking to purchase Kentucky West's gas to protect its present customer base and to supplement a planned system expansion.

After due notice by publication in the Federal Register on September 20, 1983 (48 Fed. Reg. 42855), timely motions to

- 1/ Kentucky West Virginia Gas Company, incorporated under the laws of the State of West Virginia and having its principal place of business in Ashland, Kentucky, is a "natural-gas company" within the meaning of the Natural Gas Act as heretofore found by an order issued on January 4, 1944, in Docket No. G-272 (4 F.P.C. 476).

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intervene were filed by Columbia Transmission and Columbia of Kentucky. 2/ Auxier Road did not intervene.

Columbia Transmission and Columbia of Kentucky opposed Kentucky West's proposed sale and construction. Columbia Transmission also requested that this matter be set for hearing. These parties claimed that the proposed sale would displace the sales made by Columbia of Kentucky to Auxier Road and that the loss of the Auxier Road market would increase Columbia of Kentucky's average gas purchase cost.

Following informal settlement discussions among the parties and the Commission Staff, Columbia Transmission filed a proposed offer of settlement (Stipulation and Agreement) under Rule 602 of the Commission's Rules on April 30, 1983. The offer of settlement, which is uncontested, would resolve all issues in the proceeding. Columbia of Kentucky and the Commission Staff filed comments in support of the settlement. No other comments were filed.

The Stipulation and Agreement provides for the establishment of an emergency interconnection between the pipeline facilities of Kentucky West and Auxier Road at a point in Floyd County, Kentucky where Auxier Road's existing two-inch pipeline intersects Kentucky West's existing eight-inch pipeline. Gas is to be delivered through this interconnection "only when and to the extent that Auxier Road is unable to maintain adequate service to its customers with gas routinely supplied by Columbia of Kentucky through its existing points of delivery to Auxier Road."

In order to establish this interconnection, Kentucky West is to install a tap on its pipeline in Floyd County at an estimated cost of \$500. Columbia Transmission will reimburse Kentucky West for the actual cost of the installation. Columbia Transmission will install a measuring and regulating station in the vicinity of the proposed tap at an estimated cost of \$12,900 for the purpose of regulating, measuring, and recording gas deliveries through the emergency interconnection. Columbia of Kentucky will reimburse Columbia Transmission for 50 percent of the actual cost of the measuring and regulating station.

2/ No objections were raised to these motions for intervention. Therefore, the interventions have been granted by operation of Rule 214.

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All gas delivered through the new interconnection will be considered and treated as: (1) gas sold by Kentucky West to Columbia Transmission pursuant to Rate Schedule PLS-1 of Kentucky West's FERC Gas Tariff, First Revised Volume No. 1, and the effective service agreement between these two parties; (2) gas sold by Columbia Transmission to Columbia of Kentucky pursuant to Rate Schedule CDS of Columbia Transmission's FERC Gas Tariff, Original Volume No. 1, and the effective service agreement between these two parties; and (3) gas sold by Columbia of Kentucky to Auxier Road pursuant to Rate Schedule IUS-1 of Columbia of Kentucky's Tariff, P.S.C. Ky. No. 4, and the effective service agreement between these two parties.

It will be necessary for Columbia Transmission to receive authority to construct and operate the metering facilities proposed by the settlement. The company has agreed to apply for this authority in a letter filed with the Commission dated June 4, 1984. Therefore, we will approve this settlement upon the condition that Columbia Transmission receive appropriate authorization to construct the metering facilities.

Based upon a review of the pleadings and the offer of settlement filed in this proceeding, the Commission finds that the April 30, 1984 Stipulation and Agreement appears to be fair, reasonable, in the public interest, and consistent in all respects with the provisions of the Natural Gas Act. This arrangement will, inter alia, preserve Columbia of Kentucky's market sales to Auxier Road from displacement in large part by Kentucky West. It will also provide for emergency sales by Kentucky West for the account of Columbia of Kentucky and indirectly Columbia Transmission if river flooding cuts off Auxier Road's service to some of its customers, as has happened on occasion, or in other emergencies where regular service by the Columbia companies may be interrupted.

The Commission further finds:

(1) The April 30, 1984 Stipulation and Agreement encompasses an appropriate resolution of the issues in this proceeding, and all of the terms and provisions thereof should be approved on the condition that Columbia Gas Transmission Corporation shall apply for and receive subsequent authorization to construct and operate the metering facilities as called for in the Stipulation and Agreement.

(2) Kentucky West is able and willing properly to do the acts and perform the services, as proposed in the Stipulation and Agreement, and to conform to the provisions of the Natural Gas Act and the requirements, rules, and regulations of the Commission thereunder.

(3) The construction and operation of facilities and the services proposed by Kentucky West are required by the public convenience and necessity, and a certificate therefor should be issued as hereinafter ordered and conditioned.

The Commission orders:

(A) The April 30, 1984, Stipulation and Agreement is hereby approved conditioned upon Columbia Gas Transmission's receiving certificate authority to construct and operate metering facilities as fully described in the Stipulation and Agreement.

(B) Upon the terms and conditions of this order, a certificate of public convenience and necessity is issued authorizing Kentucky West Virginia Gas Company to construct and operate the facilities and provide the services hereinbefore described, as more fully described in the Stipulation and Agreement and as conditioned in Paragraph (A) above.

(C) Gas shall be delivered through the emergency inter-connection only when and to the extent that Auxier Road is unable to maintain adequate service to its customers with gas routinely supplied by Columbia of Kentucky through its existing points of delivery to Auxier Road.

(D) The certificate issued by paragraph (B) above and the rights granted thereunder are further conditioned upon Kentucky West's compliance with all applicable Commission Regulations under the Natural Gas Act and particularly the terms and conditions set forth in paragraphs (a), (c)(3), (c)(4), and (e) of Section 157.20 thereof.

(E) The Commission's approval of this settlement shall not constitute approval of or precedent regarding any principle or issue in this proceeding.

By the Commission.

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(SECRET) The Commission has considered the April 30, 1984 Stipulation and Agreement between Columbia Gas Transmission and Kentucky West Virginia Gas Company. The Commission finds that the Stipulation and Agreement is in the public interest and that the proposed facilities and services are required by the public convenience and necessity. The Commission orders that a certificate of public convenience and necessity be issued to Kentucky West Virginia Gas Company, conditioned upon the receipt of a certificate of authority to construct and operate metering facilities from the Federal Energy Regulatory Commission. The Commission also orders that the certificate be conditioned upon the terms and conditions of the Stipulation and Agreement and upon the terms and conditions of the Commission's order in this proceeding.

Kenneth F. Plumb

Kenneth F. Plumb,
Secretary.

The Commission's order in this proceeding is subject to the Commission's order in the related proceeding between Columbia Gas Transmission and Kentucky West Virginia Gas Company, Docket No. CP83-469-000, in which the Commission ordered that a certificate of public convenience and necessity be issued to Kentucky West Virginia Gas Company, conditioned upon the receipt of a certificate of authority to construct and operate metering facilities from the Federal Energy Regulatory Commission.